BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

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- **BC's economy holds steady, growing 2.2% in 2003**
- **Real after-tax income falls to $19,495 per capita; savings rate drops to -8.2%**
- **Retail sales advance 2.4% in February**

The Economy

- **British Columbia's economy posted steady growth of 2.2% in 2003, as business investment picked up speed while consumer spending remained robust.** Final domestic demand for goods and services (+3.8%) continued to boost the economy, while a burgeoning trade deficit, due in part to a strong Canadian dollar, put the brakes on economic growth.

  For the first time since 1996, the province's economy expanded faster than the national average (+1.7%). However, BC was ranked fourth among the provinces in terms of economic growth last year. Newfoundland and Labrador (+6.5%) led the way, followed by Saskatchewan (+4.5%) and New Brunswick (+2.6%). Alberta's economy also grew 2.2% in 2003.

  Data Source: Statistics Canada

- **Business investment in the province rose 8.2% in 2003, largely due to a construction boom.** Spending on residential structures posted double-digit growth for the second year in a row, reflecting solid gains in new housing construction. Investment in machinery and equipment and non-residential structures bounced back after slumping in 2002. *Data Source: Statistics Canada*

- **BC residents saw virtually no change in real personal income in 2003.** Per capita taxes rose, as did other transfers to government, so real after tax income declined in 2003, falling to $19,495 and remaining below the national average ($20,445). Residents of Alberta ($23,161) and Ontario ($21,608) had the highest after-tax incomes in the country. Despite the decline in real after tax income, personal expenditures continued to increase, and as a result the province's savings rate plunged to -8.2%, marking the sixth straight year in which BC residents have spent more money than they have earned.

  Data Source: Statistics Canada

- **Sales by retailers in the province advanced 2.4% (seasonally adjusted) in February, the strongest monthly gain in more than four years.** Auto sales roared ahead in February, after falling back in the previous month, while clothing retailers continued to enjoy strong sales growth. Canadian sales were up 2.3% in February, increasing in virtually every province. *Data Source: Statistics Canada*

- **Wholesale sales in the province fell for the third time in the last four months, declining 0.3% (seasonally adjusted) in February.** The drop in sales was part of a nationwide trend, as Canadian sales were down 0.3%. In BC, wholesalers of lumber & building materials, and metals, hardware, plumbing & heating supplies continued to see strong growth, as did dealers of farm machinery and other equipment. However, wholesalers of motor vehicles, computers, and food posted declines. *Data Source: Statistics Canada*

- **Production at sawmills and planing mills in the province slipped 1.0% in February, compared to the same month last year.** The decline was largely due to weakness in the coastal lumber industry, where the amount of lumber produced fell 15.4%. Interior mills increased their output 3.5%. *Data Source: SC, Catalogue 35-003-XIB*

- **BC manufacturers surveyed at the beginning of the month were relatively optimistic about the future.** Roughly two-thirds of them felt that inventory levels, new orders and employment prospects would remain about the same in the second quarter, and 70% (seasonally adjusted) did not expect to encounter any production difficulties. Among those expecting to see changes, most had a rather optimistic outlook.

Report Small businesses embracing the Internet

Did you know...
There are 41 registered political parties in BC, including the Communist Party, the Millionaires Party, the Work Less Party, and the Party of Citizens Who Have Decided To Think For Themselves And Be Their Own Politicians. The average number of political parties in other provinces is 6—one-seventh as many as in BC.

The balance of opinion (difference between the percentage expecting an increase and the percentage forecasting a decline) on both new (+20) and unfilled (+19) orders was strongly positive. Slightly more manufacturers expected inventory levels to be too low (15%) rather than too high (14%). One in five manufacturers thought employment prospects would improve in the second quarter of 2004. BC manufacturers were considerably more upbeat than their counterparts in the rest of Canada. Nationally, the mood among manufacturers could best be described as one of uncertainty, with manufacturers indicating some concern about order levels, and showing less optimism about production prospects. *Data Source: Statistics Canada*

Student Debt

- **About half of Canadian college graduates (49%), and university graduates with a bachelor's degree (53%) left school in 2000 owing money for their education.** The debt was mostly in the form of government student loans. Those who had earned a bachelor's degree typically owed $20,500, while college graduates carried a lower debt load ($12,700). Graduates with masters (45%) and doctoral (45%) degrees were somewhat less likely to owe money. The average debt load for masters graduates who borrowed to finance their education was $20,300, while those who had earned a PhD owed an average of $23,900. Newly graduated medical doctors were most likely (80%) to owe money, carrying an average debt load of $38,200.

  Two years after graduation, nine out of ten grads were working. College grads earned a median income of $31,200, while the median income for those with a bachelor's degree was $39,000. One in five college and bachelor graduates who borrowed to finance their education was debt free, while those who still owed money had typically paid back about a quarter of their loan. One in four graduates with a bachelor's degree, and a third of college graduates reported they had difficulties with repayment. *Data Source: SC, Catalogue 81-595-MIE*

The Nation

- **Canadian manufacturers' prices were 1.4% lower in March than in the same month of 2003, marking the 12th straight year-over-year decline.** The drop in prices was largely due to the effect of a strong Canadian dollar; without the exchange rate effect, the all-items Industry Product Price Index (IPPI) would have been up 1.6% over the March 2003 level. BC softwood lumber prices continued to improve, rising 12.0% in March, largely due to higher prices for lumber produced in the Interior of the province. Plywood prices rose nearly a third, and producers also received more for pulp and pulpwood chips. Metal prices, which have been climbing since last fall, and longer in some cases, soared. Prices for copper, lead and molybdenum were all at least fifty percent higher than in March 2003. However, oil and gas prices were weaker than they had been a year earlier. *Data Source: Statistics Canada*

- **The Canadian economy continued to falter in February, with real GDP remaining unchanged after slipping 0.2% (seasonally adjusted) in the previous month.** The decline in GDP was largely due to weakness in the goods sector (-0.4%), where four out of five industries either shrank or stalled in February. Service sector growth remained constrained (+0.2%), despite buoyancy in the retail industry (+2.3%). *Data Source: Statistics Canada*

The World

- **Preliminary GDP estimates for the US suggest that the American economy grew at an annualized rate of 4.2% in the first quarter of 2004.** Consumer (+3.8%), business (+7.2%) and government (+2.0%) spending advanced, and exports were up 3.2%, while imports rose 2.0%. National defense expenditures increased 15.1%. *Data source: US Bureau of Economic Analysis*

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Infoline Report

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Originally published in *Small Business Quarterly*, Issue 04-3. Annual Subscription $30 +GST

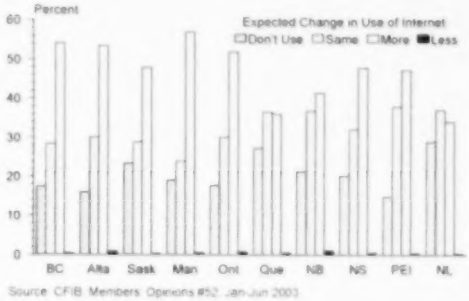
Small Business Is Embracing the Internet

In the last decade, the Internet has exploded in popularity, moving away from being mainly a research-oriented system towards becoming a worldwide communication system. In British Columbia, household Internet use expanded from only 33.2% of households in 1997 to 65.7% in 2002.[1] BC has slipped to second among the provinces behind Ontario where 67.4% of households use the Internet. The Canadian average is 61.6%.

For Canada as a whole, e-mail (48.9% of all households) is the most popular use of the Internet, but activities such as purchasing goods and services (15.7%) and obtaining information and making arrangements for travel (30.4%) are becoming more popular.[2] In fact, the percentage of Canadian households purchasing goods and services on the Internet grew from a paltry 1.5% in 1997 to 15.7% in 2002. This points to a significant opportunity for businesses to increase their market share. Since the Internet is worldwide and websites are relatively inexpensive to establish, it offers an expanded market even for small businesses.

A study by the Canadian e-Business Initiative (CeBI) suggests that businesses that adopt Internet business solutions (IBS) will increase their revenues through a combination of cost savings and expanded markets.[3] The study found that firms that implemented IBS increased their revenues, on average, by about 7.0%, while reducing costs by 9.5% for goods sold and 7.5% for sales, general and administrative expenses. With these kinds of economic benefits, it is not surprising that small businesses are embracing the Internet in greater numbers each year. According to a members' survey by the Canadian Federation of Independent Business (CFIB), 54.1% of small businesses in BC expected to increase their Internet use in 2003.[4] Just 17.3% of businesses reported not using the Internet at all. Only Prince Edward Island (14.7%) and Alberta (15.8%) had lower proportions of businesses not using the Internet.

The majority of Canadian small businesses expect to increase their use of the Internet



Source: CFIB Members' Opinions #52, Jan-Jun 2003

According to the CeBI report, public sector firms were among those with the highest level of IBS adoption, realized some of the most significant savings and had the highest level of satisfaction with IBS investment. This is not all that surprising given data from Statistics Canada that indicates that virtually all public sector enterprises (99.6% in 2002) make use of the Internet compared to only 75.7% of private sector firms.[5] The most significant barriers to adopting IBS, according to the CeBI report, are the cost of new infrastructure and the time needed to implement projects.

Despite the fact that these perceived barriers were common across businesses of all sizes, it appears that larger businesses have been quicker to overcome these obstacles and adopt

[1] Source: Statistics Canada, Table 358-0002. Household use includes use from any location including home, work, school, etc.

[2] Source: Statistics Canada, Table 358-0006.

[3] Canadian e-Business Initiative, *Net Impact Study Canada: The SME Experience* (November 2002).

[4] Canadian Federation of Independent Business Members' Opinions #52, Jan-Jun 2003.

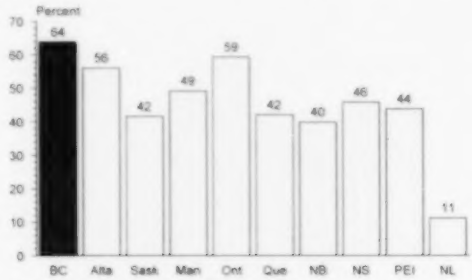
[5] Source: Statistics Canada, Table 358-0007.

the Internet. According to the CFIB's Members' Opinions surveys, at the end of 2001, 96% of Canadian firms with between 100 and 499 employees used the Internet, compared to only 63% of businesses with fewer than five employees.[6] However, growth in Internet use has been strong over the last several years regardless of business size. Usage by the larger firms stood at somewhere around 30% in 1996, while for enterprises with fewer than five employees, less than 15% were using the Internet. For those firms and businesses of all sizes in between, Internet usage rates climbed between 50 and 60 percentage points in just six years.

The CFIB surveys, as well as other studies, indicate that while small businesses may be slower to incorporate the Internet into their business plans, they are nonetheless embracing it. A recent study released by Statistics Canada showed that small enterprises have narrowed the gap in terms of use of basic information and communication technology use compared to larger enterprises, but are still far behind in the adoption of more advanced technology.[7] For example, while larger enterprises are more or less universally using e-mail, small business e-mail use has grown from 56% in 2000 to 68% in 2002, a 12 percentage point jump in just a couple of years. However, small businesses are well behind in establishing web sites, with only 27% having a web site in 2002 compared to 77% of larger enterprises.

The proportion of small and medium-sized enterprises in BC having a web site was 63.7% in 2002, the highest of any province in Canada.[8] However, only 25.4% of businesses were involved in on-line sales, although this is still higher than the Canadian average of 18.7%.

BC businesses are more likely to have a web site than businesses in any other province



Source: CFIB Members' Opinions #50, Jan-Jun 2002

These figures are much higher than Statistics Canada figures, which place the percentage of Canadian private enterprises selling over the Internet in 2002 at 7.5%, compared to 14.2% of public firms.[9] Nevertheless, the value of Internet sales has grown substantially, expanding by 86.2% (private plus public) in just two years.

There are still some barriers to overcome before Internet commerce will become more prevalent. Both customers and businesses still have concerns over security and confidentiality, although the advent of better encryption software has helped ease some of those worries. For many businesses, the types of goods sold simply do not lend themselves to transactions over the Internet.

Two issues that have the potential to seriously harm the effectiveness of the Internet as a business tool are the proliferation of malicious viruses and the explosion of e-mail "spam" (i.e., unsolicited mass mailings). Recent evidence indicates that these two issues may be closely related. Many of the viruses currently circulating are using victim's e-mail address books to further propagate the virus and the suspicion is that they are also being used to send out the spam. In other words, the viruses infiltrate computers with backdoor Trojans

[6] Andreea Dulipovici, *The Impact of Internet Use on Small and Medium-Sized Canadian Businesses during a Recession*, Canadian Federation of Independent Business (October 2002).

[7] Mark Uhrbach and Bryan van Tol, *Information and Communication Technology Use: Are Small Firms Catching Up?* Statistics Canada, catalogue no. 11-621-MIE – No. 009 (February 2004).

[8] Canadian Federation of Independent Business Members' Opinions #50, Jan-Jun 2002.

[9] Source: Statistics Canada, Table 358-0010. The Statistics Canada figures are based on a survey across all businesses while the CFIB survey is of members only, which likely explains the difference.

that allow spammers to take control of the machines and use them to send out massive volumes of spam.

Investigators who have looked into the code of these viruses have discovered threatening messages from one hacker to another. The viruses are sometimes designed to destroy other viruses so that the hacker has monopoly access to the lucrative spam market.

Spam has become such a huge problem that it is expected to comprise 80 per cent of all e-mail sent around the world by the third quarter of 2004.[10] This is more than just a nuisance because it is clogging up bandwidth and increasing costs of e-mail servers, not to mention the effect it is having on employee productivity. One solution that has been suggested is to develop a postage payment system for e-mail. While that would certainly discourage spammers, it would also be costly for business.

Viruses, spam and security issues are all valid concerns for businesses looking to implement Internet business solutions, but based on the number of firms moving onto the Internet and the increasing volume of e-commerce, the benefits of doing business on the Internet outweigh the costs. While small businesses appear to be slower in moving toward using the Internet, they are starting to close the gap between themselves and larger enterprises and are embracing the Internet in greater numbers.

For an example of e-commerce, visit BC Stats' web store at:

http://www.bcstats.gov.bc.ca/store.htm

[10] Sharon Gaudin, *Viruses Blamed for Expected 80% Spam Saturation by Q3*, www.internetnews.com (February 24, 2004).

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BC at a glance . . .

POPULATION (thousands)	Jan 1/04	% change on one year ago
BC	4,168.1	1.0
Canada	31,752.8	0.9
GDP and INCOME		
(BC - at market prices)	2003	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	142,418	5.1
GDP *($ 1997 millions)*	130,914	2.2
GDP *($ 1997 per Capita)*	31,572	1.4
Personal Disposable Income *($ 1997 per Capita)*	19,495	-0.4
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Feb	3,164	1.9
Merchandise Exports - Feb	2,388	5.9
Retail Sales - Feb	3,524	2.4
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Mar '04	% change
BC	121.6	1.7
Canada	123.6	1.9
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Mar '04	prev. month
Labour Force - BC	2,215	0.2
Employed - BC	2,041	0.3
Unemployed - BC	174	-0.3
		Feb '04
Unemployment Rate - BC *(percent)*	7.9	7.9
Unemployment Rate - Canada *(percent)*	7.5	7.4
INTEREST RATES (percent)	Apr 28/04	Apr 30/03
Prime Business Rate	3.75	5.00
Conventional Mortgages - 1 year	4.45	5.35
- 5 year	6.15	6.75
US/CANADA EXCHANGE RATE	Apr 28/04	Apr 30/03
(avg. noon spot rate) Cdn $	1.3674	1.4335
US $ *(reciprocal of the closing rate)*	0.7275	0.6976
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Mar '04	one year ago
BC	677.22	-0.7
Canada	680.53	3.4

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

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